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Contents:

ELAB: More Negative News on Unemployment
EFIN: Failed Caja CCM to be Taken Over by Cajastur
ECON: 400-Euro Tax Deduction May Be Retained
KIPR: Culture Minister Rules Out Punishing Internet Users for IPR Violations
EFIN: Taxation of Foreigners: "Rolando Law" to replace "Backham Law"

More Negative News on Unemployment

1.(U) Eurostat reported that Spanish unemployment rose to 19.3% in September from 18.8% in August. Separately, the Labor Ministry reported that the number of people seeking unemployment benefits rose for the third consecutive month in October, this time by 98,000. Job losses from the service sector accounted for almost two-thirds of all new unemployed.

Secretary General of Employment Maravillas Rojo commented that the 2.6% increase was in line with expectations and half the 192,000 increase of October 2008. The European Commission predicted that unemployment will average 20% in 2010 and 20.5% in 2011. Comment: Many analysts expect that the unemployment rate will continue to rise for several months after total production stops falling, so the political trouble for the GOS is likely to continue even after the expected official end of the recession sometime next year. (Eurostat, 11/2; Ministry of Labor, 11/3; All Media, 11/4;)

Failed Caja CCM to be Taken Over by Cajastur

2.(U) The Bank of Spain has approved the bid of Cajastur, an Asturias-based savings bank ("caja"), to take control of the banking operations of Caja Castilla La Mancha, the only financial institution in which the GOS has intervened during the financial crisis. The cost of the bailout will be borne by the caja-financed deposit guarantee fund, which has agreed to cover up to 2.5 billion euros of CCM's future loan losses and provide additional aid. Cajastur is the 20th largest of Spain's 40-plus cajas, and CCM was the 12th largest, so the combined caja will still be relatively small -- the country's eighth largest. The socialist-controlled regional governments of Asturias and Castilla-La Mancha have informally agreed to the transaction, which still needs formal approval by the two cajas' boards and the two regional governments. Final approval is expected by year-end. (Expansion, 11/3; El Pais, 11/4-5)

400-Euro Tax Deduction May Be Retained

3.(U) Parliamentary spokespeople for the United Left (IU) and Galician Nationalist Bloc (BNG) parties announced that they had reached agreement with the governing Socialists to retain for low-income taxpayers the 400-euro income tax deduction that the GOS budget proposal would eliminate. The agreement calls for taxpayers with annual incomes below 8,000 euros to get the full deduction, which would be phased out for those earning between 8,000 and 12,000 euros. (Expansion, 11/3)

Culture Minister Rules Out Punishing Internet Users for IPR Violations

¶4. (U) Minister of Culture Angeles Gonzalez-Sinde told a television interviewer that the Spanish government is not planning to introduce punishment, such as suspension of Internet access, for users engaged in unauthorized downloading or file-sharing of copyright-protected content. Rather, Spain proposes to attack the problem at its source by going after pirate websites and the people who make money off them, she said. The Minister made her comments in the context of media reports that the European Parliament and Council had reached an agreement whereby member state governments would be able to cut off offenders' Internet access without a court order. Gonzalez-Sinde pointed to the establishment last month by Spain's Council of Ministers of an Inter-Ministerial Commission to address the phenomenon of IPR violations on Internet websites. She said the goal is to find mechanisms to promote broad distribution of culture via the Internet without damaging this interests of content providers or service providers. (ABC, Cinco Dias, 11/6)

Taxation of Foreigners: "Rolando Law" to Replace "Beckham Law"

MADRID 00001088 002 OF 002

¶5. (U) The Spanish government proposes to raise taxes in 2010 for foreigners working in Spain from 24% to 43% on income in excess of 600,000 euros per year. The new plan, dubbed the "Rolando Law," would replace the so-called "Beckham Law," which reduced the maximum taxation to 24% for highly skilled foreign professionals in an effort to attract them to Spain. It will especially affect elite foreign soccer players, though the clubs are expected to bear the burden since such players usually negotiate their salaries in after-tax terms. The new law will not affect players already signed to contracts in Spain. According to the ruling Socialist Party, the initiative is part of a move towards tax neutrality. The Professional Football League is reported considering a strike, arguing that the government's action will deter talented soccer players from coming to Spain. (Cinco Dias, 11/6; Embassy)
CHACON